



Protecting Hotel Profitability in Disruptive Times

Five Ways to Position your Hotel for Success



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Introduction

The hotel and lodging market was faced with disruption and increased costs before 2020. Add in the uncertainties brought on by the pandemic and the challenges seem more daunting than ever. Leaders find themselves adapting to changing consumer concerns regarding health & safety, new cleaning and sanitation protocols and a changing mindset about travel in general. If there has ever been a time to look at internal processes and technology for time and money saving opportunities, this is certainly it.

Operating a lucrative hotel in these challenging times requires that you examine methods of:



Increasing efficiency – Where can you reduce administrative time? How can you streamline processes?



Reducing costs – What are your areas of expenditure? How can I reduce these costs?



Protecting costs - What do you have on-hand? Can I accurately track the movement?



Creative ways to influence sales in the short term – How can you offer new guest experiences?

In crafting a plan to achieve your goals, you can examine everything you order to run your hotel and serve guests – as well as the technology you are using (or not yet using) to make it all happen.

Knowing your objectives and having an idea where to look to make improvements are good first steps. This guide outlines actions you can take to run your hotel more efficiently. Here are five ways you can position your hotel for success during and after the pandemic subsides.

Closely Protecting Costs as Demand Fluctuates

Counting stock or inventory is an essential part of every operation. In today's environment it is especially important to be on top of shifting inventory needs (sanitation products, for instance) and how to adapt to new and different levels of demand. Good stock accounting should also link to invoice and credit management so you can understand the value of your stock and know precise numbers for cost of sales, profit and revenue.



Recent research suggests that COVID-inspired cleaning and safety standards will add roughly **\$9 billion in incremental expense** to the hotel industry.



Buy only what you need

Build accurate forecasts, supported by precise stock counts – and integrate with front of house systems and POS feeds to make sure you connect back office activity with front desk demands. Forecasting based on historical demand is not as easy as it once was, but accurately documenting current demand and stock on a weekly basis and adjusting it over time will be key to future success. An integrated system can deliver fast and accurate reports and produce an efficient, accurate stock valuation for each location.



Eliminate paper processes

Stock accounting traditionally depends on manual processes that are often inaccurate. This makes it virtually impossible to identify variances and measure the real performance of a location. With a mobile counting app there's no need to print count sheets and rekey data. Staff can count even when there's no mobile signal: the data is uploaded to the system once they're back on the network.

Optimize Purchasing

As a hotel, the goods that you purchase are a direct reflection of your business – so you want your purchases to be high quality items with timely delivery – and you also need them to be ordered according to need and within pricing agreements. As with any industry disruption or economic downturn, increased consolidation can be expected. Making sure that you are taking advantage of any enhanced purchasing power that results from a larger organization is key to future costs savings.



Reduce paper and administration

With automation, you can reduce paper-based, manual processes to make sure you're only paying for what you've ordered and had delivered. Checking that the details on the invoice match the original order and the goods received will make sure that you're not paying too much due to any mistakes.

Automation allows you to manage invoices by exception, rather than having to go through each individual transaction.



Do away with rogue purchasing

It's not uncommon for hotels to make ad-hoc purchases from a few local suppliers. Ad-hoc purchasing is more expensive, and it means that you are missing out on potential rebates when spending thresholds are met.

- Enact a process that ensures purchases are made from approved vendors.
- Use procurement technology to lock down supplier lists, ensuring that all sites can only purchase from specified companies.
- Use your ordering system to set the supplier delivery schedule, so that any order placed outside the schedule is rejected.
- Encouraging your vendors to submit bids on a regular basis
- Highlight over/under staffing by hour
- Benchmark individual restaurants and managers

Maximize Buying Power

It's important to choose the right vendors and negotiate good purchasing deals with them. It's just as important to manage the ongoing relationship, to make sure all parties are communicating and working together toward common goals.

Establishing business partnerships means working together in trust and good faith. Once your vendors are invested in your success, you can work to ensure you are receiving the best pricing for the contracted products and services.



Get visibility into vendor performance

Track how your vendors are performing by viewing balanced scorecards to learn which are consistently late, delivering poor product quality or exceeding expectations. This knowledge can help build better customer-vendor relationships with vendors who deserve it.

Pivot Food and Beverage to Meet Changing Demands

Restaurants and bars are a critical component of the guest experience at many hotels. They also represent an opportunity to draw in local guests with modified business models such as take out and delivery. Grab and go may be appealing to your guests if they don't want to congregate in a dining room. There are opportunities to pivot the restaurant model to support changing preferences, made all the easier with a solid menu management plan.

Engineering menus and managing food waste at your hotel eateries are good ways to increase your bottom-line. The food you're serving and the menus you create need to drive and deliver profitability. Menu engineering is the process of creating a collection of recipes to form a menu for your business, while accounting for potential costs, waste, sales and profitability. Automating this process and moving it from spreadsheets to a menu engineering tool supports increased profitability.



Start tracking waste to identify where savings can be made

Perhaps a dish on your menu is regularly unfinished by customers, suggesting that the portion size could be too large, or an ingredient is frequently being thrown away because it's going past its use-by- date, indicating that too much is being ordered. By gaining a good understanding of exactly what food is being wasted and why, you can identify the issues and see where savings can be made.



Take the guesswork out of the popularity of your menu items

Learn what's selling and what isn't with reliable reporting. Some recipes won't adapt well to to-go or room service menus. Understanding the relative popularity of menu items and plotting this against their profitability can reveal the sweet spots – the dishes that your customers want and that make you money.

Tight control over your stocking policy will ensure that there is a close connection between sales and purchasing. Sites can only order products that go into dishes that are actually being sold. Procurement technology virtually eliminates rogue purchasing of products that are not needed for your current menu.



When indexed, beverage revenues per operating room were 69.5% of August 2019 levels, compared to food at 58.8%, and other F&B revenues at 22.3%.

Pivot Food and Beverage to Meet Changing Demands cont.



Ensure profitable menus

Gain an understanding of which items are your best sellers and which items give you the most profit - and learn how increases in ingredient prices impact your menu. By examining your menus and how they are performing, and using 'what if' scenario building to see what impact changes might have, you can identify areas where savings and improvements can be made.

Performing a historical sales mix analysis allows you to create hotel menus and recipes that are not only highly popular with your customers, but also make a profit.



See the impact of changing ingredients

With the right system, your chefs will be able to see how different options will affect the cost to create dishes, and the margins that can be achieved – allowing them to find creative options that make commercial sense.

Another common mistake is creating a recipe with an ingredient that you don't use anywhere else on your menu. Using an unusual ingredient in only one recipe on your menu increases your chance of wastage if the dish is never chosen.



Give customers what they need to know

Once you have your menu set, you need to make sure that the information is available to your guests. Menu publishing improves the guest experience by providing everything they want to know. Visiting websites and apps is an essential part of deciding where to eat and automating the publishing of menus to websites and apps helps you increase your profitability.



Six Innovative Hotel Food & Bev Experiences

- In-room wine dispensers
- Pre-packaged in-room dining options curated by local operators
- Mobile happy hour - drink cart that arrives at your door
- On-demand picnics
- Socially distanced dinner and movie nights in unused meeting space
- Knock and drop room service

Leverage Technology

In today's day and age, you have a wealth of tools to use to help you run your businesses more effectively – eliminating error-prone manual processes, collecting and sharing data, and speeding analysis. With the unique challenges ahead for the hospitality industry – and hotels in particular – it can seem overwhelming to find a solution that meets your complex requirements.



Select a solution that is tailored to your specific needs

Make sure the solution you purchase includes a number of different elements so that you can grow with it and add functionality as your operations expand. Modules you should look for include:

- Purchasing
- Inventory
- Recipe and Menu Engineering
- Nutrition and Menu Publishing
- Analytics



Make sure your solution can integrate with your financial systems and POS

Your data should be sent directly from local operational systems to central financial systems without requiring manual input. This includes everything from register records to payroll information to invoices.

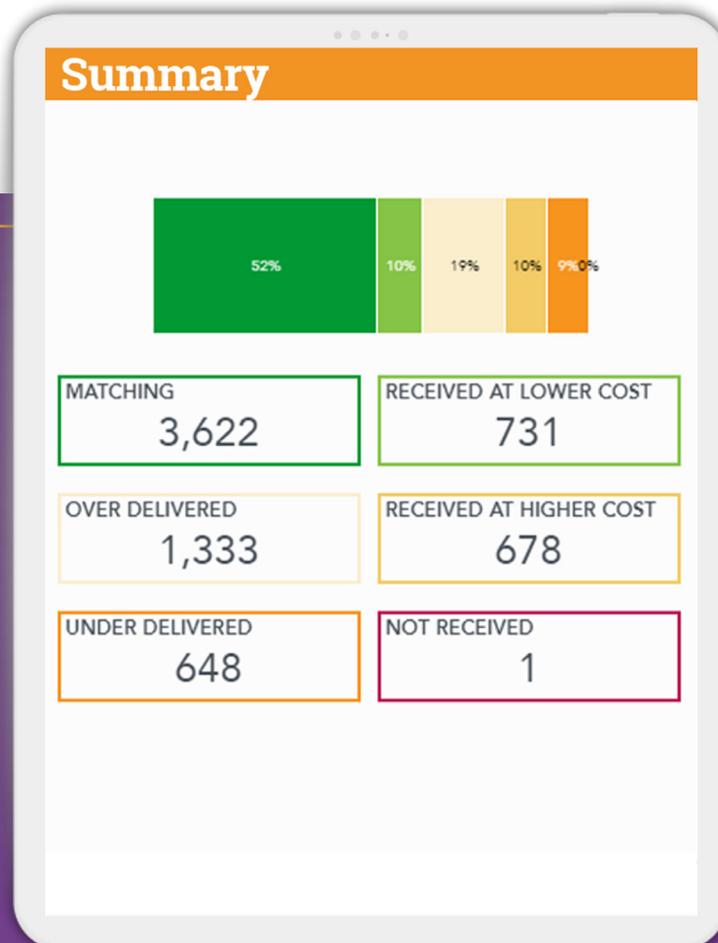
An effective integrated system provides a two-way interface between local and central departments, so reliable information is coded and shared correctly across departments and sites. When all systems are working together, gaining insight into how your business is really performing is simple.



Conclusion

With all the demands of running your hotel, you've got a lot to manage – but taking these steps will help you make the necessary moves to stabilize your business today and succeed in the future. Once you're set up to leverage your data and apply analytics – there is even more opportunity for you to generate savings by increasing efficiencies and reducing costs. Modifying your business model in disruptive times can be scary but it also represents an opportunity to tighten up processes for an even more profitable future.

With all of your data in one place, you can have full visibility that will translate to better informed decisions. A complete view of your purchasing and inventory data, and financial performance allows you to understand your highest performing accommodations, your best days, and much more. Bringing in data from other applications can deliver deeper insights. Armed with holistic performance data, hotel operators can confidently adapt to the changing climate and guest behavior, identifying areas for improvement along the way.



About Fourth

We provide end-to-end, best-in-class technology and services for the restaurant and hospitality industries. Our inventory and workforce management solutions, coupled with the industry's most complete data and analytics suite, give operators the actionable insights they need to control costs, scale profitability, improve employee engagement, and maintain compliance. Headquartered in Austin, Texas, we serve more than 7,000 customers across 120,000 locations globally.

Adaco, our inventory management platform and fully mobile applications power the world's leading brands, including Soho House, Hilton Worldwide, Public, Setai, Gaylord, Loews Hotels Service Company, Ritz-Carlton Hotel Company, IHG, Mandarin Oriental and Marriott.

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